

IHS MARKIT POLAND MANUFACTURING PMI®

Polish manufacturing PMI crashes to record low in April

KEY FINDINGS

PMI at 31.9, lowest since survey began in June 1998

Unprecedented falls in output, new orders and exports

Near-record rate of job shedding

Data were collected 7-24 April 2020.

April 2020 marked the worst month for Polish manufacturers since the PMI® survey data from IHS Markit were first compiled in June 1998. The headline PMI hit a record low during the month, as did indicators for production, new orders, exports, purchasing, backlogs of work, supplier performance and output expectations. The rate of job shedding almost equalled the record posted in April 1999.

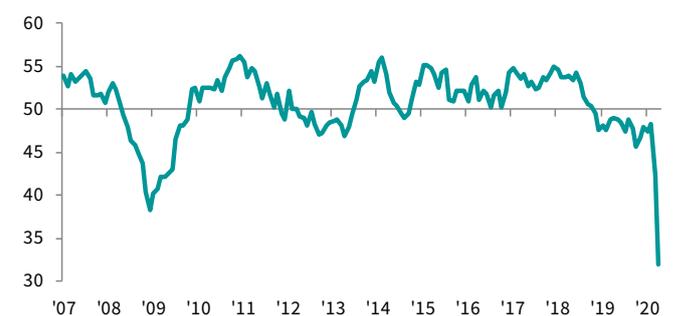
The headline IHS Markit Poland Manufacturing PMI is a composite single-figure indicator of manufacturing performance. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI collapsed to an all-time low of 31.9 in April, from 42.4 in March, signalling the worst deterioration in business conditions in the Polish manufacturing sector since the series began in June 1998. The one-month decline in the headline figure was also a record, at 10.5 points, almost double that seen in March (-5.8 points). In comparison, the previous historic low came in December 2008 during the global financial crisis, when the PMI registered 38.3.

As was the case in March, the PMI figure was boosted by a record lengthening of suppliers' delivery times, the index for which is inverted in the PMI calculation as longer times are usually associated with improving demand. Therefore, a record low in the index converts to a record high in the PMI component, which has a 15% weight in the headline figure.

The true scale of the downturn in manufacturing activity in April was better highlighted by the indices for output and

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

new orders, accounting for 55% of the PMI weight. Both hit record lows during the month, signalling rates of decline that were unprecedented since at least June 1998 when data collection began. The new orders index registered just 17.1 during the month, having collapsed by over 29 points since February. The output index also plunged to a new record low in April, as factories suspended production during the lockdown.

The remaining PMI components – employment and stocks of purchases – both weighed heavily on the headline figure in April. Employment fell at a near-record pace, while input inventories declined at the strongest rate since May 2009.

New export orders also fell at a record pace during the month, as the European and global economies were locked down to combat the coronavirus pandemic.

The collapse in new orders had a knock-on effect on backlogs of work and purchasing activity by manufacturers, as both fell at the fastest rates on record in April. Input prices continued to rise, but at the slowest rate in three months.

The 12-month outlook for production was the weakest on record in April, blamed by companies on the long-term impact of economic lockdowns in Poland and abroad. In an attempt to stimulate demand, firms cut their output prices at the strongest rate in five-and-a-half years.

COMMENT

Trevor Balchin, Economics Director at IHS Markit, which compiles the Poland Manufacturing PMI survey, commented:

"Poland's manufacturing sector collapsed in April as demand and output nosedived as a result of lockdown measures implemented across Europe and the wider world to combat the coronavirus pandemic. Moreover, at 31.9, the PMI was even lower than the levels seen in the eurozone (33.6) and UK (32.9), according to earlier flash estimates."

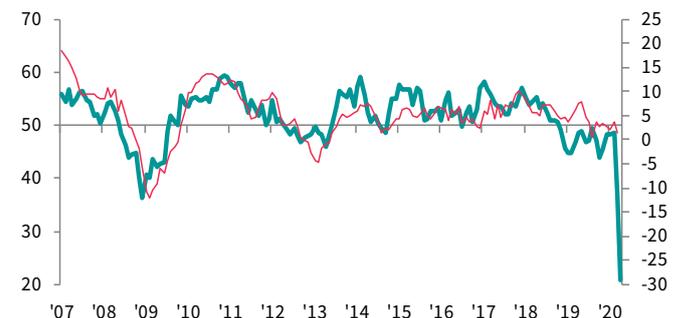
"Underlining the historic severity of the recession in the sector, many indices hit record lows during the month, including production, new orders, exports, backlogs, purchasing and output expectations. Moreover, a record lengthening of suppliers' delivery times continued to cushion the decline in the headline PMI."

Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



Source: IHS Markit, GUS.

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Methodology

The IHS Markit Poland Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 250 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Data were collected 7-24 April 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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